

**HAMMOND AREA ECONOMIC AND INDUSTRIAL
DEVELOPMENT DISTRICT**

ANNUAL FINANCIAL STATEMENTS

JUNE 30, 2010

HAMMOND, LOUISIANA

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

11/3/10

Hammond Area Economic and Industrial Development District
Hammond, Louisiana
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As of and For the Year Ended June 30, 2010

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2322 Tremont Drive • Baton Rouge, LA 70809
178 Del Orleans Avenue, Suite C • Denham Springs, LA 70726
Phone: 225.928.4770 • Fax: 225.926.0945
www.htbcpa.com

October 4, 2010

Independent Auditor's Report

Mr. Robby Miller, President and
Members of the Board of Directors
Hammond Area Economic and Industrial Development District
Hammond, Louisiana

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, and the major fund (General Fund) of the Hammond Area Economic and Industrial Development District, as of and for the year ended June 30, 2010, which collectively comprise the Hammond Area Economic and Industrial Development District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Hammond Area Economic and Industrial Development District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, and the major fund (General Fund) of the Hammond Area Economic and Industrial Development District as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2010, on our consideration of the Hammond Area Economic and Industrial Development District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hammond Area Economic and Industrial Development District's financial statements as a whole. The accompanying budgetary comparison schedule (non-GAAP basis) of the General Fund is presented for purposes of additional analysis. This schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

Harold L. Bourgeois, CPA

Required Supplemental Information (Part I)

Management's Discussion and Analysis

Hammond Area Economic and Industrial Development District
Hammond, Louisiana
Management's Discussion and Analysis
For the Year Ended June 30, 2010

Introduction

The Hammond Area Economic and Industrial Development District ("HAEIDD") is pleased to present its Annual Financial Report developed in compliance with Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments (hereinafter referred to as GASB 34), and related standards. Please read the following in conjunction with HAEIDD's financial statements and footnotes, which follow this section.

Financial Highlights

- Total assets were \$1,620,025 at June 30, 2010. HAEIDD had liabilities totaling \$400 and net assets of \$1,619,625.
- On December 30, 2009, HAEIDD sold its 50.1% majority interest in Hammond Business Park, LLP (the "Business Park") to Hipark, LLP for \$1,350,000. As a result of this transaction, the Business Park ceased to exist under IRS rules, as Hipark, LLP owned 100% of the Business Park following the sale. Additional information on this transaction can be found in Note 8.
- Ongoing legal issues surrounding the Louisiana Hospital Center, LLC ("LHC") were resolved during the year by virtue of a sale of the hospital project property pursuant to bankruptcy court order. As a result of the sale, HAEIDD received \$1,160,000 of the sales proceeds in payment of unpaid and future administrative fees due to it from LHC under the Lease Agreement between HAEIDD and LHC. See Note 6 for additional information on this issue.
- The \$890,000 Revenue Bonds, Series 2007 were paid off on January 21, 2010. A portion of the proceeds received by HAEIDD from the sale of the hospital project were used to pay off the bonds.

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of management's examination and analysis of HAEIDD's financial condition and performance.

The financial statements report information on HAEIDD using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the nature and amount of HAEIDD's resources and obligations at year-end, and provides a basis for evaluating the capital structure of HAEIDD and assessing the liquidity and financial flexibility of HAEIDD.

The Statement of Activities accounts for the revenues and expenses for the fiscal year, and provides information on how net assets changed during the year. This statement measures the success of HAEIDD's operations in a format that can be used to determine if HAEIDD has recovered its costs through user fees and other charges.

The government-wide financial statements include not only HAEIDD itself (known as the primary government), but also one component unit: the Hammond Business Park, LLP. Financial information for the Business Park is reported separately from the financial information presented for the primary government itself.

Hammond Area Economic and Industrial Development District

Hammond, Louisiana

Management's Discussion and Analysis

For the Year Ended June 30, 2010

The notes to the financial statements provide required disclosures essential to an understanding of the financial statements. The notes present information about HAEIDD's accounting policies, significant account balances and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes a comparative budget schedule, key information schedules on operation of HAEIDD, and schedules detailing audit findings and management response.

Financial Analysis

The purpose of financial analysis is to help determine whether HAEIDD is better off as a result of the current year's activities. In this analysis, data from two of the basic financial statements, the Statement of Net Assets and the Statement of Activities, are presented below in condensed format. These statements report the net assets, the difference between assets and liabilities, and the change in net assets, which provides information for indicating the financial condition of HAEIDD. Following these statements is a separate schedule summarizing and analyzing budget changes for the current fiscal year.

Condensed Statement of Net Assets

	June 30, 2010	(Unaudited) June 30, 2009	Dollar Change	Percent Change
Current and Other Assets	\$ 1,620,025	\$ 107,694	\$ 1,512,331	1404.29%
Investment in Hammond Business Park, LLP	-	2,488,390	(2,488,390)	-100.00%
Total Assets	<u>\$ 1,620,025</u>	<u>\$ 2,596,084</u>	<u>\$ (976,059)</u>	-37.60%
Current Liabilities	\$ 400	\$ 79,340	\$ (78,940)	-99.50%
Non-Current Liabilities	-	690,000	(690,000)	-100.00%
Total Liabilities	<u>\$ 400</u>	<u>\$ 769,340</u>	<u>\$ (768,940)</u>	-99.95%
Unrestricted Net Assets	<u>\$ 1,619,625</u>	<u>\$ 1,826,744</u>	<u>\$ (207,119)</u>	-11.34%
Total Net Assets	<u>\$ 1,619,625</u>	<u>\$ 1,826,744</u>	<u>\$ (207,119)</u>	-11.34%

The major components of change for "Current and Other Assets" are a \$1,564,051 increase in cash due to the sale of partnership interest in the Business Park and the collection of the unpaid and future administrative fees due to it from LHC under the Lease Agreement between HAEIDD and LHC. The decrease in the "Investment in Hammond Business Park, LLP" account is due to the aforementioned sale of HAEIDD's partnership interest in the Business Park.

The decrease in "Current Liabilities" and "Non-Current Liabilities" reflects the payoff of the \$890,000 Revenue Bonds, Series 2007.

Hammond Area Economic and Industrial Development District
Hammond, Louisiana
Management's Discussion and Analysis
For the Year Ended June 30, 2010

Condensed Statement of Activities

	June 30, 2010	(Unaudited) June 30, 2009	Dollar Change	Percent Change
Revenues:				
General Revenues	\$ 1,137,838	\$ 108,836	\$ 1,029,002	945.46%
Loss on Sale of Partnership Interest in Hammond Business Park, LLP	<u>(1,142,431)</u>	<u>-</u>	<u>(1,142,431)</u>	-
Total Revenues	<u>(4,593)</u>	<u>108,836</u>	<u>(113,429)</u>	-104.22%
Expenses:				
General Expenditures	152,721	67,612	85,109	125.88%
Debt Service Interest	34,271	64,480	(30,209)	-46.85%
Amortization Expense	<u>15,534</u>	<u>2,022</u>	<u>13,512</u>	668.25%
Total Expenses	<u>202,526</u>	<u>134,114</u>	<u>68,412</u>	51.01%
Changes in Net Assets	<u>(207,119)</u>	<u>(25,278)</u>	<u>(181,841)</u>	719.36%
Net Assets - Beginning of the Year	<u>1,826,744</u>	<u>1,852,022</u>	<u>(25,278)</u>	-1.36%
Net Assets - End of the Year	<u>\$ 1,619,625</u>	<u>\$ 1,826,744</u>	<u>\$ (207,119)</u>	-11.34%

Total "General Revenues" increased by \$1,029,002 (945.46%) as a result of the collection of the unpaid and future administrative fees due to it from LHC under the Lease Agreement between HAEIDD and LHC.

The "Loss on Sale of Partnership Interest in Hammond Business Park, LLP" is the net loss suffered by HAEIDD as a result of the sale of its partnership interest. This loss has been offset by the proceeds received during the sale.

HAEIDD showed a loss of \$207,119 for the fiscal year ended June 30, 2010 as compared to a loss of \$25,278 for the fiscal year ended June 30, 2009.

Budgetary Highlights

HAEIDD adopts an annual operating budget in accordance with requirements of the provisions of R.S. 39.1301 – 1315. HAEIDD prepares and submits its annual budget to the Board of Commissioners for approval. This budget is presented on a Non-GAAP cash basis. This budget provides an estimate for the current fiscal year of the proposed expenditures and the revenues that will finance the operations of HAEIDD. The operating budget is adopted before the end of the prior fiscal year, and is amended after review of monthly budget-to-actual financial reports. A summary of the approved budget is presented below in condensed format summarizing major revenue and expenditure categories, and is followed by analysis of significant variations between budget and actual amounts. Although not presented as a part of the basic financial statements, a more detailed schedule is also presented in "Schedule 1 – Budgetary Comparison Schedule," as supplementary information, following the footnotes to the financial statements.

Hammond Area Economic and Industrial Development District
Hammond, Louisiana
Management's Discussion and Analysis
For the Year Ended June 30, 2010

	Final Budget	Actual - Budgetary Basis	Dollar Variance
Revenues:			
Administration Fees - LHC Hospital Contract	\$ 1,160,000	\$ 1,160,000	\$ -
Administration Fees - Other	1,900	1,900	-
Distributions from Hammond Business Park, LLP	-	34,672	34,672
Other Income	11,000	9,939	(1,061)
Sale of Partnership Interest in Hammond Business Park, LLP	1,350,000	1,350,000	-
Total Revenues	2,522,900	2,556,511	33,611
Expenditures:			
Accounting & Auditing Fees	12,000	10,276	1,724
Advertising & Promotion	2,000	927	1,073
Dues & Subscriptions	500	240	260
Grounds & Maintenance	1,390	1,386	4
Insurance	520	502	18
Legal Fees	100,000	124,338	(24,338)
Maps & Surveys	3,500	3,230	270
Parish Economic Development	5,625	5,625	-
SLU Contract	5,000	5,520	(520)
Travel, Education, & Training	4,000	4,829	(829)
Miscellaneous Expenses	2,000	271	1,729
Debt Service	801,351	801,351	-
Total Expenditures	937,886	958,495	(20,609)
Other Financing Sources (Uses):			
Grant to HIDB	(50,000)	(35,000)	15,000

"Distributions from Hammond Business Park, LLP" was over budget by \$34,672 as a result of the money being recorded as a receivable on the June 30, 2009 financial statements, but not being budgeted on the cash basis for June 30, 2010. "Legal Fees" were over budget by \$24,338, due to the payment of several outstanding invoices at year-end. The majority of the other variances at year-end are considered to be immaterial.

Future Economic Plans

HAEIDD's management approach is conservative. The Board of Commissioners actively monitors revenues and expenses and evaluates the costs of proposed expansion projects.

Requests for Information

This financial report is designed to provide a general overview of HAEIDD's finances for all those with an interest in the entity's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Stacey Neal, Community Developer, 1514 Martens Drive, Suite 130, Hammond, LA 70401.

Basic Financial Statements

Hammond Area Economic and Industrial Development District
Hammond, Louisiana
Statement of Net Assets
June 30, 2010

Exhibit A

	<u>Governmental Activities</u>	<u>Component Unit 12/31/09</u>
Assets		
Cash and Cash Equivalents	\$ 1,569,026	\$ -
Certificate of Deposit	<u>50,999</u>	<u>-</u>
Total Assets	<u>\$ 1,620,025</u>	<u>\$ -</u>
Liabilities		
Accounts Payable	<u>\$ 400</u>	<u>\$ -</u>
Total Liabilities	<u>\$ 400</u>	<u>\$ -</u>
Net Assets		
Unrestricted	<u>\$ 1,619,625</u>	<u>\$ -</u>
Total Net Assets	<u>\$ 1,619,625</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

Hammond Area Economic and Industrial Development District
Hammond, Louisiana
Statement of Activities
For the Year Ended June 30, 2010

Exhibit B

	<u>Expenses</u>	<u>Program Revenues Operating Grants</u>	<u>Net Revenue (Expense) and Changes in Net Assets Governmental Activities</u>	<u>Component Unit 12/31/09</u>
Governmental Activities:				
General Expenditures	\$ 152,721	\$ -	\$ (152,721)	\$ (2,200)
Debt Service Interest	34,271	-	(34,271)	-
Amortization Expense	15,534	-	(15,534)	-
Total Governmental Activities	<u>\$ 202,526</u>	<u>\$ -</u>	<u>(202,526)</u>	<u>(2,200)</u>
General Revenues:				
Land Sales, Net			-	146,076
Administration Fees - LHC Hospital Contract			1,160,000	-
Administration Fees - Other			1,900	-
Grant to Industrial Development Board of the City of Hammond, Inc.			(35,000)	-
Interest Income			3,043	-
Loss on Sale of Partnership Interest in Hammond Business Park, LLP			(1,142,431)	-
Other Income			7,895	-
Total General Revenues			<u>(4,593)</u>	<u>146,076</u>
Change in Net Assets			(207,119)	143,876
Net Assets - Beginning of the Year			1,826,744	3,900,961
Contributions by Partners			-	25,400
Distributions to Partners			-	(181,161)
Equity Transfer to New LLC			-	(1,396,645)
Distribution to HAEIDD Due to Sale of Partnership Interest			-	(2,492,431)
Net Assets - End of the Year			<u>\$ 1,619,625</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

Hammond Area Economic and Industrial Development District
Hammond, Louisiana
Governmental Fund – Balance Sheet
June 30, 2010

Exhibit C

	<u>General Fund</u>
Assets	
Cash and Cash Equivalents	\$ 1,569,026
Certificate of Deposit	<u>50,999</u>
Total Assets	<u>\$ 1,620,025</u>
Liabilities and Fund Balance	
Liabilities:	
Accounts Payable	<u>\$ 400</u>
Total Liabilities	400
Fund Balance:	
Unreserved, Undesignated	<u>1,619,625</u>
Total Fund Balance	<u>1,619,625</u>
Total Liabilities and Fund Balance	<u>\$ 1,620,025</u>

The accompanying notes are an integral part of this statement.

**Hammond Area Economic and Industrial Development District
Hammond, Louisiana**

Exhibit D

**Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Assets
For the Year Ended June 30, 2010**

Total Fund Balances, Governmental Funds (Exhibit C)	\$ 1,619,625
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Amounts reported for governmental activities in the statement of net assets are different because:

There are no reconciling items as of June 30, 2010

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Net Assets of Governmental Activities (Exhibit A)	<u><u>\$ 1,619,625</u></u>
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The accompanying notes are an integral part of this statement.

Hammond Area Economic and Industrial Development District
Hammond, Louisiana
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2010

Exhibit E

	<u>General Fund</u>
Revenues:	
Administration Fees - LHC Hospital Contract	\$ 1,160,000
Administration Fees - Other	1,900
Distributions from Hammond Business Park, LLP	416
Interest Income	3,043
Sale of Partnership Interest in Hammond Business Park, LLP	1,350,000
Other Income	<u>7,895</u>
Total Revenues	2,523,254
Expenditures:	
General Expenditures	
Accounting & Auditing Fees	10,326
Advertising & Promotion	927
Dues & Subscriptions	240
Grounds & Maintenance	1,386
Insurance	502
Legal Fees	124,338
Maps & Surveys	3,230
Parish Economic Development	5,625
SLU Contract	5,358
Travel, Education, & Training	4,748
Miscellaneous Expenses	497
Debt Service:	
Interest	39,351
Principal	<u>762,000</u>
Total Expenditures	<u>958,528</u>
Excess of Revenues over Expenditures	1,564,726
Other Financing Sources (Uses):	
Grant to HIDB	<u>(35,000)</u>
Excess of Revenues and Other Sources over Expenditures and Other Uses	1,529,726
Net Assets - Beginning of the Year	<u>89,899</u>
Net Assets - End of the Year	<u>\$ 1,619,625</u>

The accompanying notes are an integral part of this statement.

Hammond Area Economic and Industrial Development District
Hammond, Louisiana
Reconciliation of the Statement of Governmental Fund Revenues, Expenditures, and
Changes in Fund Balance to the Government-Wide Statement of Activities
For the Year Ended June 30, 2010

Exhibit F

Net Change in Fund Balances, Governmental Funds (Exhibit E)	\$ 1,529,726
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report disbursements made on-behalf of Hammond Business Park, LLP as expenditures. However, these costs are recorded as increases in the Investment in Hammond Business Park, LLP on the statement of net assets. Distributions from Hammond Business Park, LLP are recorded as income in the governmental funds. However, this income is recorded as an increase in the Investment in Hammond Business Park, LLP on the statement of net assets. See Footnote #8 for additional information on this account.

Distributions from Hammond Business Park, LLP	(416)
Investments in Hammond Business Park, LLP	4,456

Governmental funds report the proceeds from the sale of a long-term asset as income. However, in the statement of activities, the sales proceeds are adjusted to reflect the actual gain or loss on the sale of the long-term asset.

Basis of Partnership Interest in Hammond Business Park, LLP Sold	(2,492,431)
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Governmental funds expense interest payments on long-term debt when paid. In the statement of activities, the total interest applicable to the current year is expensed and accrued interest recorded on the statement of net assets.

Prior Year Accrued Interest	5,080
Current Year Accrued Interest	-

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Also, governmental funds report the effect of issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Amortization of Bond Issuance Costs	(15,534)
Repayments of Long-Term Debt	<u>762,000</u>

Change in Net Assets of Governmental Activities (Exhibit B)	<u>\$ (207,119)</u>
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The accompanying notes are an integral part of this statement.

Hammond Area Economic and Industrial Development District
Hammond, Louisiana
Notes to the Financial Statements
For the Year Ended June 30, 2010

Narrative Profile

The Hammond Area Economic and Industrial Development District (hereafter referred to as "HAEIDD") was created by Louisiana Revised Statutes 33:130.611 to 130.619. HAEIDD is a political subdivision of the State of Louisiana and is governed by a Board of Commissioners consisting of a minimum of seven and a maximum of nine members. These members are appointed by the Mayor of the City of Hammond, Louisiana and approved by a majority vote of the Hammond City Council. Members shall serve three-year terms. The Board of Commissioners receives no compensation.

HAEIDD was created for the primary objective and purpose of promoting and encouraging the development of economic and industrial opportunities, stimulating the economy through renewed commerce and industry, and for the utilization and development of natural and human resources of the area by providing job opportunities.

1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements of HAEIDD have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

This financial report has been prepared in conformity with GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999.

B. Financial Reporting Entity

As the primary governing authority, HAEIDD is considered a separate entity for reporting purposes. The financial reporting entity consists of (a) the Primary Government (HAEIDD), (b) organizations for which the Primary Government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the Primary Government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criterion includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of HAEIDD to impose its will on that organization and / or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on HAEIDD.
2. Organizations for which the reporting entity does not appoint a voting majority but are fiscally dependent on HAEIDD.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization were not included because of the nature or significance of the relationship.

Hammond Area Economic and Industrial Development District
Hammond, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2010

Based on the previous criteria, HAEIDD has determined that the Hammond Business Park, LLP is a component unit of the reporting entity. The Hammond Business Park, LLP's fiscal year end is December 31, 2009 and it is considered to be a component unit based on criteria #1 as shown above.

As required by accounting principles generally accepted in the United States of America, these financial statements present HAEIDD (the primary government) and its component unit.

Discretely Presented Component Unit:

A component unit that is legally separate from HAEIDD, but is financially accountable to HAEIDD or whose relationship with HAEIDD is such that exclusion would cause HAEIDD's financial statements to be misleading or incomplete, is discretely presented. The Component Unit column of the combined financial statements includes the financial data of the discretely presented component unit. It is reported in a separate column to emphasize that it is legally separate from HAEIDD.

Hammond Business Park, LLP -- The Hammond Business Park, LLP is a partnership between HAEIDD and Hipark, LLC (a private investor). Fiscal interdependency exists between HAEIDD and the Hammond Business Park, LLP in that HAEIDD was a 50.1% owner in the Hammond Business Park, LLP. HAEIDD's financial statements discretely present the Hammond Business Park, LLP's financial statements as of its fiscal year end of December 31, 2009. As more fully disclosed in Note 8, HAEIDD sold its interest in the Hammond Business Park, LLP on December 30, 2009.

C. Fund Accounting

HAEIDD uses fund accounting to maintain its financial records and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain HAEIDD functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts.

Governmental Funds

Governmental funds account for all of HAEIDD's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources that may be used to finance future period programs or operations of HAEIDD. The following are HAEIDD's governmental funds:

General Fund - the primary operating fund of HAEIDD. It is used to account for all financial resources, except those required to be accounted for in other funds.

Hammond Business Park, LLP uses the accrual basis of accounting. Revenues are recognized when they are earned and expenses recognized at the time they are incurred.

Hammond Area Economic and Industrial Development District
Hammond, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2010

D. Measurement Focus / Basis of Accounting

Basic Financial Statements – Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about HAEIDD as a whole. These statements include all the financial activities of HAEIDD. Information contained in these columns reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest earnings and other revenues not properly included among program revenues are reported instead as general revenues.

HAEIDD does not allocate indirect expenses.

Basic Financial Statements – Governmental Funds

The amounts reflected in the General Fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of HAEIDD's operations.

The amounts reflected in the General Fund use the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. HAEIDD considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related liability is incurred, except for interest and principal payments on long-term debt, which are recognized when due, and certain claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The governmental funds use the following practices in recording revenues and expenditures:

Revenues – Revenues are generally recognized when they become measurable and available as net current assets. Fees, grants, interest revenue, and other revenues are recorded when due.

Expenditures – Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Hammond Area Economic and Industrial Development District
Hammond, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2010

Reconciliation - Explanation of differences between the governmental funds balance sheet and the government-wide statement of net assets is presented in Statement D of the basic financial statements. Explanation of differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities is presented in Statement F of the basic financial statements.

E. Budgets and Budgetary Accounting

Budgetary procedures applicable to HAEIDD are defined in state law, Louisiana Revised Statutes 39:1301-14. The major requirements of the Local Government Budget Act are summarized as follows:

1. HAEIDD must adopt a budget each year for the general fund and each special revenue fund, if applicable.
2. HAEIDD must prepare a proposed budget and submit it to the Board Members for consideration no later than fifteen days prior to the beginning of each fiscal year. At the same time, if total proposed expenditures are \$500,000 or more, a notice of public hearing on the proposed budget must be published in the official journal.
3. All action necessary to adopt and implement the budget must be completed prior to the beginning of the fiscal year. A proposed hearing was held and the budget adopted prior to the beginning of the fiscal year.
4. Budgetary amendments involving the transfer of funds from one program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board Members. The budget was amended on May 20, 2010.
5. The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the cash basis of accounting. Accordingly, the Budgetary Comparison Schedule for the General Fund presents actual expenditures on a Non-GAAP basis.

Budgetary data for the discretely presented component unit is not presented in these financial statements.

F. Cash, Cash Equivalents, and Investments

HAEIDD's cash and cash equivalents are considered to be cash on hand, demand deposits, interest-bearing demand deposits, money market accounts, and short-term investments with original maturities of three months or less from the date of acquisition.

Under state law, HAEIDD may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with banks organized under Louisiana law and national banks having their principal offices in Louisiana. In addition, HAEIDD may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The certificate of deposit is stated at original cost. See Note 2 regarding cash, cash equivalents, and certificate of deposit, for further information.

Hammond Area Economic and Industrial Development District
Hammond, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2010

HAEIDD records its investments at estimated fair value or at book value if fair value is not readily determinable as determined by management. Fair value generally is considered to be the amount which management might reasonably expect to receive for its investments if negotiations for sale were entered into on the valuation date. Valuation as of any particular date, however, is not necessarily indicative of the amount that HAEIDD ultimately may realize as a result of future sale or other disposition of the investments.

In preparing the financial statements, HAEIDD's management is required to make significant judgments that affect the reported amounts of investments as of the date of the balance sheet and the change in unrealized appreciation (depreciation) for the period. Because of the inherent uncertainty of valuation, these estimated values may differ significantly from the value that would have been used had a ready market for the investments existed and these differences could be material.

The process of valuing investments requires significant judgments that are particularly susceptible to change. HAEIDD's management believes that investment values are appropriate. While HAEIDD's management uses available information to recognize declines in investment values, future adjustments may be necessary based on changes in economic conditions or changes in the results of the operations of investee companies.

The valuation policies of HAEIDD's management in determining the fair value of HAEIDD's investment include the following:

1. Marketable securities listed on a national securities exchange are valued at their closing sales price on the valuation date;
2. Marketable securities traded over-the-counter are valued at their closing bid price on the valuation date, as reported in the National Association of Securities Dealers' Automated Quotation System (NASDAQ) or if not reported in NASDAQ, as reported by the National Quotation Bureau (or any successor to such organization);
3. Restricted securities (securities not freely marketable, but part of a class of securities listed on a national securities exchange or traded over-the-counter) are valued at a discount from the security's value determined under the above subsections, reflecting their limited marketability; and
4. All other securities are valued initially at cost with subsequent adjustments to values which reflect meaningful third-party transactions in the private market or at fair market value reflecting, in any event, their marketability, the business and prospects of issuer of such securities, and other relevant factors.

G. Inventory

Inventories for supplies are immaterial and are recorded as expenditures / expenses when purchased.

H. Prepaid Items

HAEIDD recognizes expenditures for insurance and similar services extending over more than one accounting period when paid. HAEIDD did not record any prepaid items at June 30, 2010.

Hammond Area Economic and Industrial Development District
Hammond, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2010

I. Capital Assets

HAEIDD did not record any capital assets at June 30, 2010.

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Any designations of fund balance represent tentative management plans that are subject to change.

K. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

2. Cash, Cash Equivalents, and Certificate of Deposit

As confirmed by fiscal agents, HAEIDD has cash and cash equivalents totaling \$1,569,983 with a carrying amount of \$1,569,026, and a certificate of deposit totaling \$50,999 as of June 30, 2010.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

The following is a summary of cash (bank balances) and the certificate of deposit at June 30, 2010, with the related federal deposit insurance and pledge securities:

Bank Balances:

Insured (FDIC Insurance)	\$ 250,000
Collateralized:	
Collateral held by HAEIDD's agent in HAEIDD's name	-
Collateral held by pledging bank's trust department in HAEIDD's name	-
Collateral held by pledging bank's trust department not in HAEIDD's name	1,370,982
Uninsured and uncollateralized	-
Total Deposits	<u>\$ 1,620,982</u>

Even though the pledged securities are not held in the entity's name, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by HAEIDD that the fiscal agent has failed to pay deposited funds upon demand.

Hammond Area Economic and Industrial Development District

Hammond, Louisiana

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2010

Deposits collateralized by pledged securities are considered to be exposed to credit risk (Category 3) under the provisions of GASB Statement 40. Custodial credit risk is the risk that in the event of a bank failure, HAEIDD's deposits may not be returned to it. HAEIDD does not have a deposit policy for custodial risk.

As of December 31, 2009, the discretely presented component unit's cash balance was \$-0-.

3. Changes in Long-Term Debt

The following is a summary of debt transactions for HAEIDD for the year ended June 30, 2010:

Type of Debt	Balance at 07/01/09	Bonds Issued	Bonds Retired	Balance at 06/30/10	Amounts Due Within One Year
Revenue Bonds, Series 2007	\$ 762,000	\$ -	\$ 762,000	\$ -	\$ -
Total Long-Term Debt	\$ 762,000	\$ -	\$ 762,000	\$ -	\$ -

Long-term debt at June 30, 2010 is comprised of the following:

Revenue Bonds

\$890,000 Revenue Bonds, Series 2007 dated March 22, 2007; Due in annual installments of \$62,000 - \$123,000 through March 1, 2017; Interest at 8.00% (Payable from a pledge of certain revenues of the General Fund)

\$ -

On January 21, 2010, the principal balance of \$762,000 was completely paid off by HAEIDD using existing cash on hand.

4. Compliance with Revenue Bond Covenants

HAEIDD, through its governing authority, adopted a resolution on February 8, 2007 authorizing the issuance of \$890,000 Revenue Bonds, Series 2007 for refunding the \$537,000 Revenue Bonds, Series 2006 and for financing additional improvements to the Business Park. The major covenants contained in the resolution and the manner in which HAEIDD has complied with these covenants is described as follows:

Budget and Audit Requirements – In the resolution, HAEIDD is required to adopt a budget at the beginning of each fiscal year as well as to have its financial records audited within five months after the close of each fiscal year.

As of June 30, 2010, HAEIDD was in compliance with this bond covenant.

Other Requirements – The resolution contains additional covenants regarding other miscellaneous provisions.

As of June 30, 2010, HAEIDD was in compliance with these other bond covenants in all material respects.

Hammond Area Economic and Industrial Development District
Hammond, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2010

On January 21, 2010, the outstanding principal balance on the bonds was completely paid off by HAEIDD using existing cash on hand.

5. Per Diem Paid Board Members

For the year ended June 30, 2010, no per diem or other compensation was paid to the Board members of HAEIDD.

6. Conduit Debt Obligation

In order to finance and induce the acquisition, construction and equipping of a general hospital in the City of Hammond, in Tangipahoa Parish, Louisiana (the "Hospital Project"), HAEIDD issued \$15,000,000 Taxable Revenue Bonds (Louisiana Hospital Center, L.L.C. Project) Series 2006. The Hospital Project is leased by HAEIDD to Louisiana Hospital Center, L.L.C. ("LHC"), pursuant to a Lease Agreement between HAEIDD and LHC dated as of February 1, 2006 (the "Lease"). Said bonds are limited obligations of HAEIDD and are payable from only the funds and receipts derived from the leasing of the Hospital Project by HAEIDD to LHC pursuant to the Lease and are additionally secured by a mortgage on the Hospital Project pursuant to an Indenture of Mortgage and Pledge dated as of February 1, 2006, made by HAEIDD in favor of the trustee of said indenture (the "Indenture"). The bonds do not now and shall never constitute an indebtedness or pledge of the general credit of HAEIDD, the City of Hammond, the Parish of Tangipahoa, the State of Louisiana, or any political subdivision of said State, within the meaning of any constitutional or statutory limitation of indebtedness and accordingly have not been reported in the accompanying financial statements.

In addition to the payments made by LHC, as the lessee, directly to the trustee for the payment of the bonds, the lessee has agreed to pay directly to HAEIDD on February 1 of each year, the sum of \$145,000 as an administrative fee.

As of October, 2007, and continuing through June 30, 2010, LHC has defaulted in its obligations to make payments of principal, interest, and other amounts owed to the bondholder under the bonds. In addition, as of February 1, 2008, and continuing through June 30, 2010, LHC has defaulted on its obligation to make the administrative fee payment owed to HAEIDD.

These legal issues surrounding LHC were resolved during the year by virtue of a sale of the hospital project property pursuant to bankruptcy court order. As a result of the sale, HAEIDD received \$1,160,000 of the sales proceeds in payment of unpaid and future administrative fees due to it from LHC under the Lease Agreement between HAEIDD and LHC.

Due to the foreclosure and bankruptcy proceeding discussed above, the conduit debt obligation has been satisfied according to legal counsel.

7. Related Party Transactions

On February 1, 2003, HAEIDD entered into a Cooperative Endeavor Agreement with the Industrial Development Board of the City of Hammond, Inc. (HIDB). HIDB is a non-profit organization registered with the Internal Revenue Service created for the purpose of promoting and encouraging the development of economic and industrial opportunities, stimulating the economy through renewed commerce and industry, and

**Hammond Area Economic and Industrial Development District
Hammond, Louisiana**

**Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2010**

utilizing and developing natural and human resources to provide job opportunities. HAEIDD and HIBD agreed to collaborate efforts to further the economic interest of the Hammond community. In this agreement, HAEIDD agreed to reimburse HIBD for expenses HIBD incurs on behalf of HAEIDD. Likewise, HIBD agreed to reimburse HAEIDD for expenses HAEIDD incurs on behalf of HIBD.

During the year ended June 30, 2006, a resolution by both HAEIDD and HIBD was passed that had the effect of treating all expenses paid by HIBD on behalf of HAEIDD as grants rather than payables. During the current fiscal year, HAEIDD transferred \$35,000 in cash to HIBD. This transaction was considered to be approved under the resolution passed during the June 30, 2006 fiscal year.

8. Investment in Hammond Business Park, LLP (Component Unit)

On November 29, 2004, HAEIDD and Hipark, LLC (a private investor) entered into a partnership agreement to create the Hammond Business Park, LLP for the purpose of acquiring and jointly developing a track of land in Tangipahoa Parish into a business park pursuant to LRS 33:130.613. The partnership agreement provides for the marketing and sale of the subdivided parcels (once developed) to businesses and individuals who meet certain economic development criteria.

Per the terms of the agreement, Hipark, LLC contributed \$2.2 million to purchase the land that is being developed. HAEIDD contributed their option to purchase this tract of land and also contributed the value of all site development site work including such items as construction of a roadway to access the land, wetland surveys and analysis, engineering, and the purchase of a right of way adjoining the tract of land.

Also per the terms of the agreement, HAEIDD shall contribute its option and the value of the site development work in exchange for a 50.1% ownership interest in the partnership and Hipark, LLC has contributed the purchase of the land for a 49.9% ownership interest in the partnership. Profits and losses of the partnership are to be split according to these same percentages.

On December 30, 2009, HAEIDD sold its 50.1% majority interest in the Business Park to Hipark, LLP for \$1,350,000. As a result of this transaction, the Business Park ceased to exist under IRS rules, as Hipark, LLP owned 100% of the Business Park following the sale.

HAEIDD sold its majority interest in the Business Park at a loss. However, HAEIDD considers the primary purposes for which it entered into the partnership to have been satisfied. These purposes included preparing an undeveloped parcel of land for market as well as developing the infrastructure improvements needed for marketing the land. HAEIDD determined that it should sell its interest in the partnership to its partner, as Hipark, LLP was in a much better position to fully capitalize the project going forward.

Required Supplemental Information (Part II)

Budgetary Comparison Schedule

Hammond Area Economic and Industrial Development District
Hammond, Louisiana
Budgetary Comparison Schedule (Non-GAAP Basis) – General Fund
For the Year Ended June 30, 2010

Schedule 1

	Original Budget	Final Budget	Actual Amounts - Cash Basis	Variance with Final Budget
Revenues:				
Administration Fees - LHC Hospital Contract	\$ -	\$ 1,160,000	\$ 1,160,000	\$ -
Administration Fees - Other	-	1,900	1,900	-
Distributions from Hammond Business Park, LLP	250,000	-	34,672	34,672
Interest Income	4,000	2,000	2,044	44
Lamar Billboard Lease Income	15,000	-	-	-
Sale of Partnership Interest in Hammond Business Park, LLP	-	1,350,000	1,350,000	-
Other Income	1,000	9,000	7,895	(1,105)
Total Revenues	270,000	2,522,900	2,556,511	33,611
Expenditures:				
General Expenditures				
Accounting & Auditing Fees	20,000	12,000	10,276	1,724
Advertising & Promotion	5,000	2,000	927	1,073
Dues & Subscriptions	500	500	240	260
Grounds & Maintenance	-	1,390	1,386	4
Insurance	3,000	520	502	18
Legal Fees	30,000	100,000	124,338	(24,338)
Maps & Surveys	4,000	3,500	3,230	270
Parish Economic Development	5,625	5,625	5,625	-
Property Taxes	16,000	-	-	-
Road Construction Costs	100,000	-	-	-
SLU Contract	5,000	5,000	5,520	(520)
Travel, Education, & Training	3,000	4,000	4,829	(829)
Miscellaneous Expenses	3,500	2,000	271	1,729
Debt Service:				
Interest	59,520	39,351	39,351	-
Principal	72,000	762,000	762,000	-
Total Expenditures	327,145	937,886	958,495	(20,609)
Excess of Revenues over Expenditures	(57,145)	1,585,014	1,598,016	13,002
Other Financing Sources (Uses):				
Grant to HIDB	(15,000)	(50,000)	(35,000)	15,000
Excess of Revenues and Other Sources over Expenditures and Other Uses	(72,145)	1,535,014	1,563,016	28,002
Cash - Beginning of the Year	74,861	6,010	6,010	-
Cash - End of the Year	\$ 2,716	\$ 1,541,024	\$ 1,569,026	\$ 28,002

See auditor's report.

**Other Independent Auditor's Report and
Findings and Questioned Costs**

2322 Tremont Drive • Baton Rouge, LA 70809
178 Del Orleans Avenue, Suite C • Denham Springs, LA 70726
Phone: 225.928.4770 • Fax: 225.926.0945
www.htbcpa.com

October 4, 2010

Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

Mr. Robby Miller, President and
Members of the Board of Directors
Hammond Area Economic and Industrial Development District
Hammond, Louisiana

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, and the major fund (General Fund) of the Hammond Area Economic and Industrial Development District, as of for the year ended June 30, 2010, which collectively comprise the Hammond Area Economic and Industrial Development District's basic financial statements and have issued our report thereon dated October 4, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Hammond Area Economic and Industrial Development District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hammond Area Economic and Industrial Development District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hammond Area Economic and Industrial Development District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hammond Area Economic and Industrial Development District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Hannus J. Bourgeois, LLP

Hammond Area Economic and Industrial Development District
Hammond, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Internal Control over Financial Reporting

None

Compliance and Other Matters

None

Hammond Area Economic and Industrial Development District

Hammond, Louisiana

Summary Schedule of Prior Findings

For the Year Ended June 30, 2010

<u>Ref.#</u>	<u>Fiscal Year Findings Occurred</u>	<u>Description of Findings</u>	<u>Corrective Action Taken</u>
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Internal Control over Financial Reporting

None

Compliance and Other Matters

None

Note: This schedule has been prepared by the management of the Hammond Area Economic and Industrial Development District.